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GENERAL

25X1A 1. French expect to curb Vietnamese at San Francisco:

[Redacted]

The French Minister for the Associated States has "guaranteed" that Vietnam's Premier Tran Van Huu and other Associated States representatives at the San Francisco conference will "not get out of line." The French are highly critical of Huu's public statements on a security pact and reparations from Japan. They feel, however, that Huu's remarks were probably intended for domestic consumption in Vietnam.

Comment: French irritation over Huu's statements is probably due to a desire to avoid any issue that might further complicate the San Francisco conference or prejudice the future international prestige of Vietnam.

France originally asked for two billion dollars in reparations from Japan, but later bargained this claim against other concessions, including representation for the Associated States at San Francisco. If other countries present reparation claims at San Francisco, however, the French can be expected to renew their demands. While the French are as anxious as the Vietnamese for additional funds to balance Vietnam's shaky budget, they are aware of Japan's inability to pay combined reparations.

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2. Indonesia hesitant over signing Japanese treaty:

[Redacted]

A spokesman of the Indonesian Foreign Office told the US Ambassador that Indonesia will probably object chiefly to the reparations clause of the Japanese peace treaty. If this clause is not altered as desired, Indonesia will seek "some sort of compensation," probably in the form of economic concessions from the US, in return for signing.

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The ambassador notes that Indonesia's signature will depend to a considerable extent upon developments in San Francisco and upon the reaction thereto of the Indonesian press and political leaders. There is already a strong threat of dissension within Indonesia's largest party -- the Masjumi -- which may make it somewhat difficult for the government to obtain approval for signing the treaty.

USSR

3. New Soviet tactic expected in East-West trade campaign:

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[Redacted]

The US Embassy in Moscow is inclined to credit rumors that the Soviet Union is considering a proposal for a new organization patterned after the European Payments Union but also including the countries of the Soviet Orbit. In its present form the EPU acts as a clearing house for trade among Marshall Plan countries.

The embassy believes that a proposal of this type would fit into the strategy of the USSR's East-West trade campaign now under way in Western Europe. It would dramatize the Soviet claim that Russia is ready to cooperate in a general revival of this trade. If the response proved favorable, the Soviet Union would hope to open up a new field of action in its effort to weaken Western trade controls. This action might be designed to widen the split between US trade policy and the desires of certain Western European countries to continue trade in essential commodities.

In the embassy's view, however, the disruptive possibilities of such a proposal are slight, given the functional nature of EPU itself as a European clearing house and the interest European states have in making it work.

Comment: A Soviet proposal for a European-wide clearing house would be in line with current Moscow attempts to portray the USSR as attempting to improve East-West trade. However, the USSR has usually carried on its non-Orbit economic relations by bilateral agreements

and has joined few post-war international organizations of any sort. Within the Soviet Orbit, the USSR could set up an EPU type of organization even though the ruble is already freely convertible throughout the Orbit.

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